

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

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COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-02 H-02 PA-02 PRS-01 USIA-15 FEAE-00 /111 W

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R 041915Z FEB 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6404

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW, FR

SUBJECT: "LE MONDE" INTERVIEW WITH FINANCE MINISTERS

FOURCADE AND APEL

1. SUMMARY. FINANCE MINISTERS JEAN-PIERRE FOURCADE OF FRANCE AND HANS APEL OF WEST GERMANY WERE INTERVIEWED FOR "EUROPA" SUPPLEMENT APPEARING IN "LE MONDE" OF FEBRUARY 4. THE FOLLOWING SUMMARY CONCENTRATES ON REMARKS OF FOURCADE, AS APEL REMARKS AVAILABLE TO EMBASSY BONN IN "DIE WELT". INTERVIEW ALSO APPEARS IN LONDON "TIMES" AND "LA STAMPA". HIGHLIGHTS OF FOURCADE'S REMARKS INCLUDE MODERATE OPTIMISM ON THE U.S. ECONOMY BUT FEAR OF MORE DOLLAR CRISES, CAUTION ON LOWERING OF UNCLASSIFIED

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INTEREST RATES, AND, MOST SIGNIFICANT, A STRONG REAF-

FIRMATION OF TRADITIONAL FRENCH POSITION ON FIXED EXCHANGE RATES AS THE BASIS OF EC AND INTERNATIONAL MONETARY SYSTEMS WHICH MAY PRESAGE BEGINNING OF A NEW FRENCH "MONETARY REFORM" CAMPAIGN.

2. FRENCH ECONOMIC POLICY. FOURCADE REPEATED CURRENT LINE OF CAUTIOUS RESTIMULATION OF FRENCH ECONOMY THROUGH SMALL STEPS IN CREDIT, PUBLIC WORKS, ETC., WHILE RETAINING "STRICT DISCIPLINE" IN YET UNFINISHED FIGHT ON INFLATION.

3. U.S. ECONOMY. WHILE BOTH FOURCADE AND APEL NOTED LATEST OECD PROJECTIONS, PUBLISHED IN DECEMBER, WERE TOO PESSIMISTIC, THE FRENCH MINISTER PREDICTED U.S. OVERALL GROWTH RATE FOR 1975 WOULD STILL BE SLIGHTLY NEGATIVE ("EN LEGERE RECESSION"). HE SAW FOLLOWING CONSEQUENCES:

A) THERE MAY BE FURTHER DOLLAR CRISES THIS YEAR.

B) RAW MATERIAL PRICES WILL STAY DOWN.

C) DAMPENING EFFECT OF U.S. RECESSION ON WORLD TRADE WILL STIMULATE COUNTRIES LIKE FRANCE TO SEEK NEW MARKETS AMONG PRODUCERS OF PETROLEUM AND OTHER PRIMARY PRODUCTS.

4. INTEREST RATES. FOURCADE WELCOMED WORLDWIDE DECLINE IN INTEREST RATES, WHICH ALSO NOW EXTENDED TO FRANCE, AND NOTED IT WOULD FACILITATE EXPANSION OF INDUSTRIAL CAPACITY REQUIRED TO MEET NEW ORDERS RECEIVED FROM OIL PRODUCING AND DEVELOPING COUNTRIES. ON THE OTHER HAND, HE WARNED THAT "DECLINE IN INTEREST RATES MUST FOLLOW AND GO NO FASTER THAN DECLINE IN RATES OF INFLATION".

5. PROTECTIONIST MEASURES IN FACE OF OIL CRISIS WERE CONDEMNED BY BOTH MINISTERS.

6. THE GERMAN ECONOMY AS SEEN FROM PARIS. FOURCADE NOTED THAT IT WAS RIGHT FOR GERMANY TO REFLATE EARLIER

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THAN ITS PARTNERS AND THAT AN FRG GROWTH RATE OF 3-3.5 PERCENT WOULD COMPLEMENT FRENCH ECONOMIC POLICY. HE FLAGGED NEED TO RESTORE FRANCE'S TRADE EQUILIBRIUM WITH GERMANY.

7. MONETARY QUESTIONS. THE GREATEST PART OF THE DISCUSSION CENTERED ON INTERNATIONAL MONETARY AFFAIRS. THE MINISTERS MADE THE FOLLOWING POINTS:

A) FRENCH RETURN TO THE EUROPEAN MONETARY "SNAKE", SAID APEL, COULD ONLY TAKE PLACE WHEN FRANC IS STRONG ENOUGH "TO REMAIN WITHIN SNAKE FOR A LONG PERIOD WITHOUT INTERVENTIONS". FOURCADE NOTED THAT FRANC RETURN WOULD HAVE TO AWAIT SATISFACTORY COMPLETION OF FRENCH INFLATION-BALANCE OF PAYMENTS MEASURES, BUT THAT THIS RETURN WAS CONSISTENT WITH FRENCH MONETARY GOALS. THE LATTER EXPRESSLY INCLUDED "THE SPEEDIEST RETURN POSSIBLE

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TD FIXED EXCHANGE RATES, THE ONLY SYSTEM COMPATIBLE WITH INTERNATIONAL MONETARY REFORM."

B) COMMUNITY LOAN. APEL NOTED THAT SINCE FIRST COMMUNITY LOAN PROJECT HAD NOT YET COMPLETED LEGISLATIVE PROCESS IN ALL MEMBER STATES, IT WAS CERTAINLY PREMATURE TO SPEAK OF A SECOND. FOURCADE SECONDED THIS IN NOTING THAT OPERATION OF "FIRST" FUND WOULD FIRST HAVE TO BE OBSERVED. APEL NOTED ALSO THAT IN AGREEING TO FIRST LOAN, MINISTERS URGED MEMBERS TO SEEK "INTERNATIONAL" (I.E., EXTRA-COMMUNITY) SOLUTIONS TO THEIR PROBLEMS, WITH EC FUND ONLY A COMPLEMENT, AND THAT ANY PROPOSALS FOR ADDITIONAL EUROPEAN LOANS WOULD HAVE TO BE SEEN IN THIS LIGHT.

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C) ECONOMIC AND MONETARY UNION. BOTH MINISTERS RESTATED THEIR COUNTRIES' TRADITIONAL VIEWS ON SUBJECT. APEL NOTED THAT IT WAS NOT THROUGH "ABSTRACT PLANS" BUT THROUGH ADOPTION OF POLICIES AIMED AT "HARMONIZATION AND CONVERGENCE" OF NATIONAL ECONOMIES THAT LOST TIME TOWARD GOAL COULD BE MADE UP. FOURCADE SOUNDED SEVERAL FAMILIAR FRENCH MONETARY THEMES. THE INTERNATIONAL PAYMENTS SYSTEM IS "COMPLETELY DISORGANIZED", HE SAID. "EUROPE SHOULD BECOME AN ISLAND OF WELL-RUN COUNTRIES WITH STRONG CURRENCIES. HE THEN REVIEWED RECENT FRENCH MONETARY PROPOSALS TO THE COMMUNITY. IF COMMUNITY LOAN AND CONTROL OF CAPITAL MOVEMENTS HAVE MADE PROGRESS, HE HOPED DECISIONS WOULD SOON BE MADE ON FRENCH PROPOSALS FOR NEW EUROPEAN UNIT OF ACCOUNT AND A REGIME FOR "CONCERTED" FLOATING. IN A VARIANT ON RECENT REMARKS ON FUTURE RESERVE ROLES OF MARK AND FRANC, HE MADE AMBITIOUS SUGGESTION THAT UNIT OF ACCOUNT "WOULD SOON BE ONE OF THE MAJOR STRONG CURRENCIES IN A RENEWED INTERNATIONAL SYSTEM BASED ON SDRS" AND "STABILIZING INFLUENCE IN RELATIONS BETWEEN DEVELOPED, LESS DEVELOPED AND PETROLEUM PRODUCING COUNTRIES".

8. ON FINANCIAL QUESTIONS ARISING FROM THE OIL CRISIS, FOURCADE ALSO TOOK OCCASION TO OUTLINE SOME BASIC, AND IN SOME CASES NEW, FRENCH POSITIONS:

A) RECYCLING. FOURCADE TWICE REPEATED POINT THAT RECYCLING THROUGH LOANS WAS NOT AN ACCEPTABLE LONG-TERM SOLUTION TO EUROPEAN PAYMENTS PROBLEMS, BUT JUST A "TRANSITIONAL MEASURE". HE EMPHASIZED THAT "EACH COUNTRY MUST SOLVE ITS OWN PROBLEM BY INCREASING ITS TRADE WITH PRODUCERS OF OIL AND OTHER PRIMARY PRODUCTS".

B) AS FOR INVESTMENTS BY OIL PRODUCERS, FOURCADE REPEATED LINE THAT THESE WOULD BE WELCOME ONLY IF THEY CREATE NEW INVESTMENTS (TAKEOVERS WERE EXPRESSLY NOT

WELCOME) AND DID NOT IMPLY CONTROL, "EVEN PARTIALLY".
APEL'S LINE WAS LESS STRONG, BUT HE SPOKE OF FINDING
WAYS OF IMPROVING SURVEILLANCE OF TRANSFERS OF COMPANY
STOCKS AND PREVENTING "TRANSACTIONS HARMFUL TO THE
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NATIONAL ECONOMY".

9. COMMENT: ABOVE REMARKS OF FOURCADE, COUPLED WITH
SOME OF HIS OTHER RECENT PRONOUNCEMENTS (SEE, FOR
EXAMPLE, PARIS 2289), SUGGEST WE MAY BE SEEING BEGINNING
OF NEW FRENCH CAMPAIGN FOR INTERNATIONAL MONETARY
REFORM. WHILE THERE WAS TENDENCY, IN WAKE OF LAST
YEAR'S DECISION TO FLOAT FRANC, FOR FRENCH
SPOKESMEN TO SOFTPEDAL THEIR TRADITIONAL STANCE ON
VIRTUES OF FIXED EXCHANGE RATES, THIS THEME HAS BEEN
RECEIVING RENEWED EMPHASIS OF LATE. THE THOUGHT THAT
A EUROPEAN "CURRENCY" (THE UNIT OF ACCOUNT) COULD MAKE
IMPORTANT CONTRIBUTION TO WORLD MONETARY STABILITY IS
REMINISCENT OF GISCARD'S FREQUENT STATEMENTS WHEN HE
WAS FINANCE MINISTER THAT EUROPE SHOULD BECOME A SECOND
"MONETARY POLE", ALONGSIDE U.S.
RUSH

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